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REPORT OF THE AUDIT OF THE
TRIGG COUNTY
SHERIFF

For The Year Ended
December 31, 2006

Member Kentucky Society of CPA's
American Institute of Certified Public Accountants

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Kathryn A. Thissen
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The Honorable Stanley H. Humphries, Trigg County Judge/Executive
The Honorable Randy K. Clark, Trigg County Sheriff
Members of the Trigg County Fiscal Court

Independent Auditor's Report

I have audited the accompanying statement of revenues, expenditures, and excess fees – regulatory basis of the Sheriff of Trigg County, Kentucky, for the year ended December 31, 2006. This financial statement is the responsibility of the Sheriff. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2006, in conformity with the regulatory basis of accounting described in Note 1.

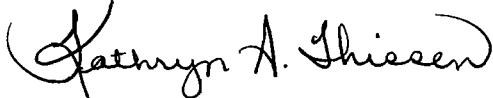
In accordance with Government Auditing Standards, I have also issued a report dated December 17, 2007, on my consideration of the Sheriff's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Based on the results of my audit, I have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff Should Have Implemented Compensating Controls
- The Sheriff Should Have Maintained Records In Accordance With KRS 68.210

The Honorable Stanley H. Humphries, Trigg County Judge/Executive
The Honorable Randy K. Clark, Trigg County Sheriff
Members of the Trigg County Fiscal Court

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Trigg County, Kentucky and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

A handwritten signature in black ink, reading "Kathryn A. Thissen". The signature is written in a cursive style with a large initial 'K'.

Kathryn A. Thissen
Certified Public Accountant

December 17, 2007

TRIGG COUNTY
RANDY K. CLARK, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES – REGULATORY BASIS

For The Year Ended December 31, 2006

Revenues

Federal - Lake Patrol		\$	14,500
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)			13,876
State Fees For Services			15,501
Fiscal Court			85,730
Circuit Court Clerk			2,015
County Clerk - Delinquent Taxes			2,400
Property Tax Collections:			
Commissions	\$	205,299	
10% Add-On Penalty		17,818	
Sheriff's Fees		2,110	
Advertising Fees		<u>2,380</u>	227,607
Fees Collected for Services:			
Auto Inspections		6,590	
Serving Papers		13,610	
Carrying Concealed Deadly Weapons Permits (CCDW)		3,313	
Miscellaneous		<u>1,012</u>	24,525
Interest Earned			3,870
Borrowed Money			
State Advance		129,623	
Bank Note		<u>70,000</u>	<u>199,623</u>
Total Revenues			\$ 589,647

The accompanying notes are an integral part of the financial statement.

TRIGG COUNTY
 RANDY K. CLARK, COUNTY SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES – REGULATORY BASIS
 For The Year Ended December 31, 2006
 (Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-		
Deputies Salaries	\$ 200,823	
Kentucky Law Enforcement Foundation		
Program Fund (KLEFPF)	12,400	\$ 213,223
Employee Benefits-		
Employer's Share Social Security	17,849	
Employer's Share Social Security - KLEFPF	902	
Employer's Share Retirement - KLEFPF	1,475	20,226
Material and Supplies -		
Office Supplies	1,586	
Uniforms	5,904	7,490
Other Charges-		
Training	2,064	
Carrying Concealed Deadly Weapons Permits	1,880	
Telephone	11,143	
Postage	5,163	
Conveyance of Prisoners	6,984	
Auto Expense	21,124	
Miscellaneous	2,307	50,665
Capital Outlay:		
Equipment		19,821
Debt Service:		
State Advancement	129,623	
Vehicle Lease	7,455	
Bank Note	70,000	
Interest	984	208,062
Total Expenditures		\$ 519,487
Net Revenues		70,160
Less: Statutory Maximum		69,341
Excess Fees Due County for Calendar Year 2006		819
Payment to Fiscal Court-March 6, 2007		819
Excess Fees Due Fiscal Court at Completion of Audit		\$ 0

The accompanying notes are an integral part of the financial statement.

TRIGG COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

Kentucky Revised Statute (KRS) 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Sheriff as determined by the audit. KRS 134.310 requires the County Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2006 services
- Reimbursements for 2006 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2006

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

TRIGG COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2006
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent for the first six months and 13.19 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Kentucky Law Enforcement Foundation Program Fund (KLEFPF)

The Trigg County Sheriff's office was awarded a grant under the Kentucky Law Enforcement Foundation Program Fund (KLEFPF) from the Commonwealth of Kentucky Department of Criminal Justice Training. Under the program, eligible officers received up to \$3,100 annually as provided in Kentucky Revised Statute 15.460. During calendar year ended December 31, 2006, Trigg County Sheriff's office received \$13,876. All funds received were expended for their intended purpose.

TRIGG COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2006
(Continued)

Note 5. Lease

The office of the County Sheriff entered into a lease agreement with Farmers Bank & Capital Trust Company for a 2003 Ford Expedition. The agreement required sixteen (16) quarterly payments of \$1,864 to be completed on February 5, 2007. The total balance on the agreement was \$1,864 as of December 31, 2006.

Note 6. Drug Fund

The Trigg County Sheriff's office maintains a Drug Fund account that is used solely for the purpose of drug enforcement. The beginning balance in this fund was \$563. Receipts totaled \$540 and expenditures totaled \$706. The total fund balance was \$397 as of December 31, 2006.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Kathryn A. Thissen
Certified Public Accountant

The Honorable Stanley H. Humphries, Trigg County Judge/Executive
Honorable Randy K. Clark, Trigg County Sheriff
Members of the Trigg County Fiscal Court

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

I have audited the statement of revenues, expenditures, and excess fees – regulatory basis of the Trigg County Sheriff for the year ended December 31, 2006, and have issued my report thereon dated December 17, 2007. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Trigg County Sheriff's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Trigg County Sheriff's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Trigg County Sheriff's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, I identified certain deficiencies in the internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting which is a basis of accounting other than generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting.

I consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting.

- The Sheriff Should Have Implemented Compensating Controls
- The Sheriff Should Have Maintained Records In Accordance With KRS 68.210

Report On Internal Control Over Financial Reporting And On Compliance
And Other Matters Based On An Audit Of The Financial Statement
Performed In Accordance With Government Auditing Standards
(Continued)

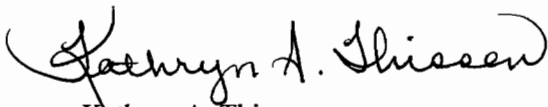
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I considered the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trigg County Sheriff's financial statement for the year ended December 31, 2006, is free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Trigg County Sheriff's responses to the findings identified in my audit are described in the accompanying comments and recommendations. I did not audit the Sheriff's responses and, accordingly, I express no opinion on them.

This report is intended solely for the information and use of management, the Trigg County Fiscal Court, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.


Kathryn A. Thissen
Certified Public Accountant

December 17, 2007

COMMENTS AND RECOMMENDATIONS

TRIGG COUNTY
RANDY K. CLARK, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2006

INTERNAL CONTROL -- SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:

The Sheriff Should Have Implemented Compensating Controls

During my review of internal controls, I noted the following lack of segregation of duties over revenues and expenditures and other control deficiencies:

- The Sheriff's bookkeeper collected money, prepared deposits, prepared daily cash checkouts, and prepared the receipts ledger.
- The Sheriff's bookkeeper signed all checks with no requirement for a second signature.

No compensating controls were noted to offset any of these control deficiencies. Therefore, the control deficiencies as described above are significant deficiencies and material weaknesses. The Sheriff should have segregated duties over revenues and expenditures or should have implemented the compensating controls noted below to offset these internal control weaknesses.

- The Sheriff or his designee should periodically compare a daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipt ledger. Any differences should be reconciled. This should be documented by initialing the bank deposit, daily deposit, and receipts ledger.
- The Sheriff or his designee should compare the quarterly financial report to revenue and expenditure ledgers for accuracy. The Sheriff or his designee should also compare the salaries listed on the quarterly report to the individual earning records. Any differences should be reconciled. This should be documented by initialing the quarterly financial report.
- The Sheriff or his designee should periodically compare invoices to payments and require dual signatures on all payments, with one being the official. This should be documented by initialing the invoices.
- The Sheriff or his designee should periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. This should be documented by initialing the bank reconciliation and the balance in the checkbook.

Sheriff's Response: Due to limited staff, it is difficult not to have a lack of segregation of duties.

TRIGG COUNTY
RANDY K. CLARK, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2006
(Continued)

The Sheriff's Office Should Have Maintained Records In Accordance With KRS 68.210

- During 2006, I noted funds were not deposited on a daily basis. KRS 68.210 and sound accounting practices require funds be deposited on a daily basis. Abnormal delays (more than three business days) were noted between dates received and date deposited for daily receipts. The Sheriff should have required collections be deposited daily.
- The quarterly reports fee account revenues and expenditures were accurate but the reports were not complete. The budget column of the Sheriff's quarterly reports did not include the Sheriff's approved budget, which would allow the Sheriff to monitor his budget throughout the year. All funds maintained in the Sheriff's office (i.e. Drug Fund, Tax Accounts) should be included on the front page of the quarterly report. The Sheriff's liability worksheet on the last page of the quarterly report did not include all liabilities of the Sheriff's office for 2006. In addition, the quarterly reports were not submitted on a timely basis.

Sheriff's Response: I will try to monitor deposits and make sure they are deposited on a timely basis. The quarterly reports have been updated to include the approved budget. All funds maintained will be included on the front page and all liabilities will be included on the liability worksheet. At the November 20, 2007 fiscal court meeting, the transfers within the budget for December 31, 2006 were approved as well as 2006 salary caps.

PRIOR YEAR:

The following findings were reported in the prior year audit report and have not been corrected.

- The Sheriff's Office Lacks Adequate Segregation Of Duties
- The Sheriff's Office Should Maintain Records In Accordance With KRS 68.210